

UNITED ARAB EMIRATES (UAE)

Overview

The United Arab Emirates (UAE) is a federation of seven emirates located on the Arabian Peninsula. The UAE has coastline and seaports inside as well as outside the Strait of Hormuz, which is the entrance to the Persian Gulf. The seven emirates are Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwain, Fujairah, and Ras Al Khaimah. Each emirate is ruled by a Shaikh. The total area of the UAE is about the size of Maine.

A high degree of political and economic power resides in the individual emirates. Each Shaikh retains control over natural resources, including oil, within his emirate, and regulates commercial activity. Because hydrocarbon reserves, and thus revenues, are not equally distributed, the seven emirates are not equal in terms of wealth, power, or level of economic development. Abu Dhabi, the largest oil producer, is the wealthiest and most powerful, followed by Dubai, the federation's commercial center and second largest oil producer.

Gross Domestic Product (GDP), dependent on oil prices, has followed a roller coaster pattern, soaring during the 1970's and declining precipitously during the 1980's. These swings in income have caused the authorities to look for ways to diversify the economy, particularly in Dubai, where oil production is declining and in Abu Dhabi through the implementation of a military related offset investment program. The search for diversification has been only partially successful, however. Oil revenues provided 80 percent of fiscal revenue and about 60 percent of export earnings during 1994. Inflation in 1994 was at 4.6 percent, a slight decline from 1993.

Economic analysis in the UAE is difficult because the federal and emirate governments and their semi-autonomous entities do not publish comprehensive, accurate statistics in a timely manner. Similarly, private sector institutions, including banks and foreign oil companies, are not allowed to disseminate statistics to the public. Information on oil and gas production, pricing, overseas investments, and government budgets is only available from external sources.

Strategically located on the Arabian/Persian Gulf, the UAE is an entrepot of huge trade volume between the Far East, the European Community and the Arab Gulf Cooperation Council Countries (AGCC - UAE, Saudi Arabia, Oman, Kuwait, Qatar and Bahrain), Iran and the sub-continent countries Pakistan, India, Bangladesh and Sri Lanka. The annual import and export trade volume surpasses US\$15 billion. The UAE is the second largest middle east importer of US goods and services after Saudi Arabia. In 1995, the U.S. non-military exports to the UAE was expected to reach US\$2 billion.

Defense Industry Environment

The United States and the United Arab Emirates have enjoyed close ties since diplomatic relations were established in 1971.

Like other neighboring countries, the UAE does not announce its defense budget nor its long term defense procurement requirements. Most of the defense purchases are either made on an ad hoc basis or private invitation to tender. The UAE's spending on defense procurement roughly constitutes 10 to 15 percent of its annual operating budget (\$4.3 billion) or an average of 5 percent of its GDP which in turn is directly dominated by earnings from oil and gas.

The UAE is not indifferent to the rising military threats in the region. The ten year war between Iran and Iraq followed by Iraqi's 1990 invasion of Kuwait and the resulting "Desert Storm" expulsion of Iraqi forces from Kuwait, and Iran's occupation of UAE's three coastal islands Greater Tomb, Lesser Tomb, and Abu Musa, are critical factors influencing the UAE's desire to equip its Armed Forces with the latest defense technologies. The UAE is determined to safeguard its territorial integrity, security, and sovereignty and be equipped to face any unforeseen military threat.

Shaikh Zayed Bin Sultan Al-Nahyan, Ruler of Abu Dhabi Emirate is the President of the UAE and Supreme Commander of the UAE's Armed Forces. Shaikh Khalifa Bin Zayed Al-Nahyan, Crown Prince of Abu Dhabi is the Deputy Supreme Commander.

The UAE's external military threats are to be defended against by the Federal UAE Armed Forces/General Headquarters (GHQ) based in Abu Dhabi and which includes all other emirates (Sharjah, Ajman, Ras Al-Khaimah, Umm Al Quwain and Fujairah) and the Central Military Command (CMC) located in Dubai.

The CMC is controlled by the Government of Dubai and its commander is Brigadier General Shaikh Ahmed Bin Rashid Al-Maktoum. The major three components of CMC are the Staff Unit, Air Force and Ground Forces. There is no Naval element in CMC.

The Ministry of Defense is largely a political entity headquartered in Dubai and headed by Lt. General Shaikh Mohammed Bin Rashid Al-Maktoum as Minister of Defense, who is also the Crown Prince of the Emirate of Dubai.

The UAE Armed Forces/General Headquarters (GHQ) is the largest military entity comprising the Army, Navy and Air Force. Its Chief of Staff is Lt. General Shaikh Mohammed Bin Zayed Al-Nahyan, son of the UAE's President and Ruler of Abu Dhabi.

The UAE Armed Forces/General Headquarters (GHQ) and the Central Military Command (CMC) are the only two principal entities in the United Arab Emirates engaged in the procurement of military equipment. Practically speaking, the GHQ in Abu Dhabi is the only entity with which U.S. defense firms can do business.

Under current USG policy, Foreign Military Sales (FMS) and commercial sales of items on the munitions control list may take place only between federal governments. Should the Emirate of Dubai's CMC wish to purchase USG munitions-controlled items, the transaction would

be required to pass through the Ministry of Foreign Affairs and be approved by the UAE Armed Forces/General Headquarters (GHQ).

Dubai's CMC has little if any U.S. military equipment. Indeed, CMC's leadership resents USG Munitions Control policies, and are generally inclined to source military equipment purchases elsewhere. Many other sovereign states engaged in arms sales deal directly with Dubai. For the record, CMC usually purchases military equipment through local agents - and has no offsets program such as exists in Abu Dhabi.

Based on Embassy estimates and demographics of UAE population dominated by Arabs and non-Arabs, the combined UAE Armed Forces including that of CMC does not exceed 35,000 active members, of which over 10,000 members belong to various Arab countries, especially Egypt, Oman and Sudan and to some degree Pakistan. Most of the senior advisors to the Armed Forces are from the U.K. followed by the United States, France and Germany.

Indigenous production of military equipment is so far confined to only military uniforms through UAE's Offsets programs. Future military purchases must be accompanied by offsets proposals on economically viable projects in joint venture with local businessmen.

The manufacturing of military equipment and/or its components is forbidden under the UAE's Offsets program which is relatively new (est.1991). However, assembly of certain items of a non-lethal nature in association with a commercial enterprise or existing government entity is allowed.

The offset projects are directed largely towards reinvestment in the Emirate of Abu Dhabi alone and in a few sectors excluding petrochemicals, water, electricity, and other utilities. So far, U.S. defense contractors involved in real offset projects are McDonnell Douglas, Lockheed Martin and Newport News Shipbuilding.

The major supplier of military equipment to the UAE is France (as much as 90%), followed by the United States, United Kingdom, and Italy. Germany, Russia, and Brazil are making in-roads in addition to the Czech Republic, Hungary, Romania, and Indonesia. France has a defense agreement with the UAE, and significantly dominates UAE's Air Force and Air Defense market. Soon after the Gulf War, GIAT of France sold US\$3.5 billion worth of LeClerc battle tanks against its U.S. rival General Dynamics. The U.K., a traditional trade partner, dominates the military electronics and systems integration market within the Armed Forces.

Major US defense contractors currently supplying military equipment and services to the UAE Armed Forces or pursuing future contracts include:

- AT&T
- United Defense/FMC
- General Electric Aircraft Engines
- Hughes Communications
- ITT Defense Systems-Night Vision Cameras

- Lockheed Martin-F-16 fighter aircraft
- McDonnell Douglas-F15 fighter aircraft/Apache Helicopters
- Newport News Shipbuilding
- Northern Telecom
- Oshkosh Trucks-Tactical trucks
- Raytheon-Patriot Missile systems
- United Technologies Pratt & Whitney Div.
- United Technologies Sikorsky Aircraft Div.
- Westinghouse-C3 (Command, Control and Communication)

Defense Opportunities

In line with the guidelines of the UAE President, the UAE Armed Forces is keen to acquire state-of-the-art defense equipment for its Army, Navy and Air Force. Major military contracts are awarded on political grounds, price, and technological factors. Procurement decisions may take several years before any contract is awarded. The UAE has had no funding problems for its military purchases. Delays in awards of contracts are attributed to such factors in technical evaluations as compliance to UAE Offsets Group (UOG) requirements, R&D, technical superiority, and whether the manufacturing country is willing to release the sophisticated components and data.

At present, the UAE Government is seriously considering the purchase of the following military hardware for which RFPs were invited as long ago as in 1990:

Air Force Procurement

60-80 Multirole Fighter Aircraft

Cost: US\$8 billion

U.S. Contenders: McDonnell-Douglas F-15, and Lockheed Martin F-16

Competition: French Mirage 2000-5 and Rafael, Sukhoi 35 of Russia.

Status: UAE is likely to make a selection decision during December 1995 or early 1996.

Tactical Ballistic Missile Air Defense System

Cost: US\$1 billion

U.S. Contender: Raytheon's Patriot (FMS)

Competition: Russia: SA-10/SA 12 and France: Thomson CSF (Aster/Arabel).

Status: Project involves 10 Patriot Fire Units and 530 Patriot missiles.

Long Range Radars

Cost: US\$100 million

U.S. Contenders: Lockheed Martin and Westinghouse

Competition: GEC Marconi, Thomson-CSF

Status: No decision made. The UAE Air Force Technical Committee members have visited the sites of all the firms and attended detailed demonstrations. Project is over 4 years old. In

anticipation of winning the contract and expressing its commitment to the market, Lockheed Martin has already embarked on its US\$ 12 million pre-offset project in Abu Dhabi, The Gulf Diagnostic Center, in joint venture with a local firm.

Army Procurement

EADGE Project - Supply of PBX Equipment

Cost: US\$15-25 million

U.S. contenders: Northern Telecom and AT&T

Competition: Alcatel (France).

Navy Procurement

4 Navy Frigates

Cost: US\$1-2 billion

U.S. Contender: Newport News Shipbuilding

Competition: Royal Schuelds (Dutch), Vosper-Thornycroft (British), DCNI (French) and Leurson (German)

Status: No decision made. However, in July 1995, an Amiri Decree was issued formally establishing the Newport News Shipbuilding offset joint venture company with Abu Dhabi Drydock called The Abu Dhabi Shipbuilding Company. This joint stock company will manufacture vessels and provide maintenance services to existing vessels. This US\$19.7 million joint venture (49% Newport News 51% / Abu Dhabi Dry Dock) has recently offered its shares.

6 Maritime Patrol Aircraft (MPA)

Cost: US\$500-1 billion

U.S. Contender: Lockheed Martin P-3C Orion (FMS)

Competition: Dutch: Fokker-50, Indonesian IPTN: CN-235 under license from Spain's CASA, and French Atlantique (new entrant)

Status: No decision made. According to the UAE sources, the P-3 Orion is undoubtedly the technically superior aircraft but it is considered more expensive than the competition and a larger MPA aircraft which exceeds the UAE maritime requirement. Fokker is reportedly offering the aircraft free as part of the Frigate sale package.

Ministry of Interior Procurement

8 Armored Personnel Vehicles (APV)

Cost: US\$4 million

U.S. Contender: Textron Marine & Land Systems

Status: The Ministry is holding the contract award pending UAE Armed Forces approval for financing 7 additional vehicles and necessary budget appropriation.

The Ministry of Interior is also negotiating with companies on the purchase of coastal radars and other boarder security surveillance equipment to control drugs trafficking and illegal entry to the country.

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The following is a list of helpful in-country military contacts.

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Defense Procurement Process

The Directorate General of Purchasing at the UAE Armed Forces/General Headquarters in Abu Dhabi is the combined central purchasing organ within the UAE Armed Forces in Abu Dhabi. This organization is responsible for the pre-qualification of defense contractors/suppliers and placing final procurement orders on behalf of the UAE Armed Forces at the request of the Air Force, Navy and Army. The Directorate also oversees the preparation of tender documents and monitoring all legal aspects and contractual obligations.

The Army, Navy and Air Force are independently responsible for conducting technical evaluations of the desired equipment and services, and making final recommendations to the Chief of Staff. Normally, for every sizeable procurement, a technical committee is formed to assist the head of the agency. The head of the agency makes his final recommendations to the Chief of Staff, who in turn is the final decision maker in UAE's military procurement.

The regulations of the UAE Armed Forces/General Headquarters (GHQ) in Abu Dhabi prohibit the use of middlemen, commission agents, mediators, etc. in any transaction involving the purchase of lethal weapons. In addition, all foreign vendors interested in pursuing a project in excess of US\$ 10 million are required to submit a proposal outlining an offset joint venture project which must be (a) economically viable; and (b) in participation with a local firm for the purpose of reinvestment; a portion of its contract proceeds which will generate over a period of seven years profits of at least 60 percent of the contract value. An offset project can be a pre-offset project in that a firm may wish to show its commitments to the market by establishing an offset venture prior to winning a military supply contract. All offsets related matters including the approval of projects must be approved by the UAE Offset Group (UOG) in advance.

In spite of protestations to U.S. firms from prospective agents brandishing "No Objection" letters from GHQ, the use of agents for non-lethal military equipment transactions is a grey area. GHQ now appears to strongly proscribe middlemen in non-lethal military equipment procurement, particularly if large sums of money are involved.

Foreign commercial bidders, including some U.S. companies, often try to ensure success even before receiving an RFP (Request for Proposal) from GHQ by contacting a local individual believed to have influence and promising him ancillary business if they win the contract. The Embassy advises against this practice. We advise U.S. defense firms to submit (RFPs) directly to GHQ and if successful, the U.S. firm can then take steps to establish a legal presence. Firms supplying highly lethal based equipment will be sponsored directly by the UAE Armed Forces/GHQ.

U.S. firms wishing to do business with the UAE's Armed Forces, GHQ, must register their interest with the Directorate General of Purchasing of the GHQ. Only pre-qualified lists of registered firms will be invited to respond to Requests For Proposals (RFPs) or open tenders.

Central Military Command (CMC)

Contrary to Abu Dhabi's GHQ, the Central Military Command (CMC) in Dubai requires that all defense firms must have a local agent while pursuing leads for military sales. There is no offsets requirement by the CMC. The Ministry of Defense has no say in the defense procurement of the UAE and functions merely as a catalyst political entity. The Ministry of Interior requires that all suppliers must be pre-registered with it and should submit bids/proposals through locally appointed agents.

Diversification/Commercial Opportunities

The following industry sectors are deemed as good prospects for U.S. firms interested in the U.A.E. market.

Architecture/Construction/Engineering Services

These services are facing increasing demand in Abu Dhabi and Dubai, less so in the Northern Emirates. The increase is based on UAE government agencies developing plans for the year 2010. In Abu Dhabi, the government has allocated one billion dollars for the construction of 1,666 high rise buildings and villas and a new ministries area to house federal government headquarters including mining services and petrochemical engineering services. Similarly, in Dubai the ACE related major projects include Chicago Beach Hotel, which will cost US\$327 million, and expansion of Dubai international airport, valued at \$200 million, for which International Bechtel is the consultant. U.S. firms such as Alliance Architects, Hellmut, Obata & Kassabaum, MMM, Turner Construction, and J.A. Construction are new entrants to the UAE market.

Government laws call for pre-registration and pre-qualification for any government design or construction project. Strong competition comes from local, European, Korean and Canadian firms. Of the \$1.2 billion ACE market in 1994, U.S. market share was 25 percent or \$300 million. There are no regulatory/demand issues affecting the market.

Oil and Gasfield Machinery and Services

The UAE claims to have nearly 100 billion barrels of proven oil reserves, or about 10 percent of total proven world oil reserves, most of it in the emirate of Abu Dhabi; and 5.7 trillion cubic meters of proven gas reserves, which amounts to 4.6 percent of total world proven gas reserves, most of it in Abu Dhabi, which makes the UAE the fourth largest gas reserve country in the world after Russia, Iran, and Qatar.

UAE oil production in mid-1995 is at the level of the UAE's OPEC quota, 2.16 million barrels per day (mmbd), with about 0.3 mmbd coming from Dubai and the rest from Abu Dhabi. Capacity is much higher. While Dubai produces at maximum capacity, Abu Dhabi is nearing completion of a \$5.0 billion capacity expansion program that will take Abu Dhabi capacity to 2.5 mmbd by 1996.

Recently, the Supreme Petroleum Council approved several major projects, including the expansion of Ruwais refinery, valued at \$1.5 billion. Fluor Daniel and Foster Wheeler were recently awarded the front-end Engineering Design and Project Management contracts respectively. Several U.S. firms are expected to compete for the Ruwais petrochemical complex estimated to cost \$1.5 billion. U.S. contenders include Union Carbide, Philips Petroleum (against UK's British Petroleum), Japan's Mitsui Corp., and Canada's Novacor and Borealis. Of \$590 million imports in 1994, the U.S. market share was 48 percent or \$283.2 million. There are no regulatory/demand issues affecting the market.

Construction Equipment

The construction industry is one of the most active sectors of the UAE economy. The government has earmarked \$2 billion for the construction of new infrastructure projects and government, commercial, and residential buildings in 1995. In addition, new investment by the private sector for commercial and residential construction during 1995/1996 is expected to reach \$1 billion. Of \$318 million imports in 1994 of heavy construction machinery, road construction machinery and earth moving machinery, the U.S. market share was 57 percent or \$184.4 million. Potential growth for U.S. exports within this industry sector is 17 percent annually.

Air-conditioning & Refrigeration

The combination of a booming construction sector, high population growth and harsh climatic conditions make the UAE an excellent market for air-conditioning and refrigeration equipment. Total new investment by the private sector alone in office/residential construction during 1996 is expected to reach two billion dollars.

The U.S. and Japan together supply over 50 percent of the UAE import market. During 1994/1995, the U.S. became the leading supplier of air-conditioning and refrigeration equipment to the UAE. The key factor that boosted the demand for U.S. made products is the relatively weak position of the U.S. Dollar against the Japanese Yen. Of \$247 million imports, the U.S. share of the market was 43 percent. The most promising imports were of central air-conditioning, window air-conditioning, split air-conditioning, and cold storage equipment. Potential growth for U.S. exports in this industry is over 28 percent.

Computers/Peripherals

Computer utilization is on the rise with current computer users moving towards upgraded and higher capacity computers. Government offices and businesses are shifting from mainframes to more flexible, faster, and cheaper micro computers or personal computers in networking environments.

U.S. computer manufacturers are looked upon as market leaders and will maintain their edge to the extent that they continue to be able to introduce state-of-the-art technology and products at competitive prices. Major competitors within this industry sector are Japan, U.K., Netherlands, Taiwan, and Singapore.

Telecommunications

The Emirates Telecommunications Corp. (ETISALAT) is the local PTT of the UAE. During the next two years, ETISALAT plans to invest an average of \$300 million per year in the procurement & expansion of telecommunication services. In addition they have appointed a German consultant to prepare a feasibility study for the purchase of two satellites. The project is expected to cost \$250-300 million. U.S. companies face strong competition from Japanese, British and French companies in this growing market.

Electric Power Systems

UAE power demand is projected to increase to 6,900 MW by 1999, up sharply from 4,200 MW in 1994. Electricity consumption is rising 15-20 percent annually. Existing expansion plans include the expansion of Taweelah "A", the final phase "C" of the Abu Dhabi Taweelah Power/Water Desalination plant, calling for additional power generation of 400 MW and water desalination production capacity of 40 mgpd. Taweelah "C" is reported to be planned for implementation in 1996. Dubai Electricity and Water Authority is constructing a \$273 million 600MW power station at Al-Awir. Major competitors include ABB, Siemens, Ansaldo, Mitsubishi, John Brown, Nuova Pignoni and SAE Sadelmi. There are currently no regulatory or demand issues affecting the market.

Security & Safety Equipment

The combination of the Abu Dhabi government allocation of \$1 billion in the construction sector together with the development of a new complex to house federal government headquarters will result in a higher demand for safety and security equipment. Similarly, the development of additional hotels by Dubai's Commerce and Tourism Promotion Board should present opportunities for access control and fire and smoke detection equipment. The majority of the UAE's 58 banks offer ATM services and are required by the UAE Central Bank to provide maximum security alert equipment which increased overall demand for these products. The UAE Government wants to provide safeguards to its industrial installations, airports, petrochemical plants, industrial zones, and marine surveillance. Of \$135 million imports in 1994, the U.S.

market share was 24 percent or \$32.4 million. Opportunities in this field alone represent more than \$15 million annually.

Medical Equipment

The Ministry of Health's budget for 1996 is estimated at \$600 million. During the next two years, approximately \$400 million will be spent on construction and procurement of equipment for several clinics and hospitals. Major imports from the U.S. continues to be diagnostic, therapeutic, and patient monitoring equipment as they are perceived as sources of new and high technology. Of \$94 million imports during 1995, the U.S. market share was 20 percent or \$22.6 million.

Airport/Ground Support Equipment

There are six international airports and two military bases in the UAE. Some of these airports are planned for expansion during 1996/1998. Abu Dhabi Public Works Department (PWD) has pre-qualified turnkey contractors for the construction of an additional runway at Abu Dhabi International Airport and construction of a VIP lounge and three hangers for Amiri (Royal) Flights Directorate. These projects in Abu Dhabi will cost well over \$150 million. The winning contractor will be responsible for supplying the necessary airport ground support equipment.

Dubai's Civil Aviation Department has selected Int'l Bechtel, Inc. of the U.S. as consultant for the construction of a new passenger terminal building to accommodate 22 aircraft. Contractors for this \$100 million project are expected to be invited to bid by early 1996. Other plans in Dubai include construction of a new airport in Dubai to support the bi-annual Dubai Air show event, and construction of a hanger to house Royal Flight B-747 at a cost of \$110 million.

Pollution Control Equipment

Although the environmental control industry is only at its infancy, protection of the local environment has drawn the attention of various UAE government authorities. In 1993, the UAE formed the new Federal Environmental Agency (FEA). It will have the power to draft, carry out studies, and propose general environmental policies in the country.

The principal areas of pollution which are of most concern in the UAE are the inadequate handling and recycling of solid waste, treatment of hazardous waste, and upgrading the standards of government hospital incinerators. In addition, the UAE is facing problems with the salination and fast depletion of its underground water supplies. Therefore, the government has been focusing on reusing sewage water for irrigation to meet the increasing demand for water. Priority has been given to sewage and rain water drainage projects and landfills that use modern technology.

U.S. manufacturers of pollution control equipment have competitive advantages over third-country suppliers in the UAE market since their equipment is designed to meet U.S. EPA requirements which are accepted internationally. Potential growth for U.S. exports is over 18%.

Doing Business in the United Arab Emirates

The UAE market provides a wide variety of business opportunities for U.S. firms. However, barriers to trade do exist and the section below describes the types of obstacles that U.S. companies may face in this market.

Offsets

The Abu Dhabi authorities in 1991 instituted an offset program. Under this program, defense contractors are required to invest an amount equal to 60 percent of their contract in the UAE. The terms of investment and amount are subject to negotiation with the UAE offset office, which must approve each investment project. The projects must show a profit after seven years. The contractor may not own more than 49 percent of the project. The remaining 51 percent must be held by UAE nationals. The program has so far resulted in over 30 projects, and it is not clear whether they will show the required profit. Meanwhile, a large backlog of offset obligations has accumulated, as the UAE armed forces continues to make purchases. Principal problems associated with the program are: a dearth of investment opportunities, with so much of the economy off limits to private foreign investment; difficulty in finding UAE national partners for the majority 51 percent; and difficulty in obtaining cooperation from emirate and federal bureaucracies for required permits, licenses, and other documentation needed to establish any new project.

No offsets investments in the oil, gas, petrochemicals and other utilities sectors such as power and water are being accepted by Abu Dhabi authorities, although these are the sectors in which there is the most interest on the part of potential foreign offsets investors.

National Treatment

The regulatory and legal framework favors local over foreign investors. There is no national treatment for investors in the UAE. Except for companies located in the free zones, at least 51 percent of a business establishment must be owned by a UAE national. A business engaged in importing and distributing a product must be either a 100 percent UAE owned agency/distributorship or a 51 percent (UAE) - 49 percent (foreign) limited liability company (LLC). Subsidies for manufacturing firms are only available to those with at least a 51 percent local ownership. Foreigners cannot own land or buy stocks.

Privatization

There is no privatization program in operation in the UAE. Although the authorities have discussed the possibility of offering shares (to UAE nationals only) in nine businesses owned by the Abu Dhabi General Industries Corporation (GIC), a bank partly owned and a retail gasoline distribution chain wholly owned by the federal Ministry of Finance, and a poultry and dairy farm owned by Abu Dhabi emirate, none of these entities has so far been privatized. The authorities

first developed a plan to establish a stock market in the early 1980's, but as of June 1995, none had been established, although the Central Bank drafted a second plan for one in 1994.

Taxes

Foreign banks are required to pay a 20 percent income tax, although there is room to negotiate the actual payment of the tax. Domestic banks pay no income tax. No other foreign companies pay income taxes to the UAE government. Neither foreign nor UAE nationals pay individual income or property taxes in the UAE. There are no significant government financed and/or subsidized industrial research and development programs in the UAE.

Business Visas

Visas, residence permits, and work permits are required of all foreigners in the UAE. U.S. citizens receive ten year, multiple entry visas, authorizing stay up to six months per entry, with the possibility of a six month extension. The UAE nationals or enterprises who wish to sponsor foreign visitors agree to accept certain legal obligations.

The UAE Armed Forces/General Headquarters of the Army(GHQ), Ministry of Defense, and Central Military Command (CMC) also assist in sponsoring special nature visits by representatives of the defense contractors or foreign defense agencies. Depending on the nature of contracts, both permanent residence visas and actual sponsorship of foreign defense contractors can also be offered by the UAE's defense agencies, but a representative must seek the agency' permission prior to leaving the country.

Payments by Defense Agencies

The defense procurement agencies in the UAE follow their own payment procedures towards supply contracts. At least 25% of the amount is paid during the opening of an L/C, 25% is paid upon arrival of goods, 40% is paid upon installation, and 10% percent is withheld pending completion, hand over, and/or fulfillment of the entire contract. To the best of our knowledge, the UAE's defense agencies are good and prompt payers unless delays occurred from the supplier side.

Repatriation/Transfer of Funds

There are no restrictions on the transfer of funds into or out of the UAE, except that the currency of Israel may not be bought or sold in the UAE. All other currencies are traded freely at market determined rates. No license is required to change money. The UAE dirham has been pegged to the dollar at 3.671 dirhams per dollar since 1980. At present, there is a divergence of about 2.0 percentage points or more in U.S. and UAE inflation rates. Despite this, the authorities are under no pressure to adjust the peg.

Disputes Settlements

Military: All disputes arising in connection with military sales contracts or otherwise, and involving military agencies, if not amicably resolved between the parties, will be settled under the rules and regulations of conciliation and arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with these rules. The arbitration will take place in Lausanne/Switzerland and the arbitrators have the powers of amiable compositeur. The decision of the Arbitrators shall be final, binding, and enforceable, on the parties.

Non-Military: There have been no significant investment disputes during the past few years involving U.S. or other foreign investors, but there have been several contractor disputes in the UAE. Most disputes have eventually been satisfactorily handled through arbitration. However, dispute resolution can be difficult and uncertain. Arbitration may commence by petition to the federal courts on the basis of mutual consent, a written arbitration agreement, independently by nomination of arbitrators, or through a referral to an appointing authority without recourse to judicial proceedings. Enforcing judgments has not always been easy. The UAE is a member of the international center for the settlement of investment disputes.

In 1993, the Abu Dhabi Chamber of Commerce and Industry formed the Abu Dhabi Commercial Conciliation and Arbitration Center in an effort to accelerate commercial dispute resolution. The Center is chaired by the president of the chamber, and the president of the chamber's customs and arbitration committee acts as the center's general secretary. The center has jurisdiction to conciliate or arbitrate commercial disputes. The Center's executive regulations govern its conciliation and arbitration procedure. Referral by two adverse parties of a dispute to the Center entails the parties' acceptance of the finality of the Center's decision. The proceedings of the Center may be in Arabic or in any other language selected by the parties. The efficacy of the Center will depend in part on the willingness of local courts to grant rapid enforcement to the Center's awards.

The Dubai Chamber of Commerce and Industry promulgated commercial conciliation and arbitration rules last year which appear to be quite flexible, in the judgment of western legal experts. The rules permit parties to agree to have conciliation or arbitration under the auspices of the chamber but also under other rules.

Commercial disputes involving foreign parties tend to come before the civil courts. Major commercial disputes are ordinarily heard by a panel of three judges. All cases involving banks and financial institutions are required to be heard by the civil courts and not by shariah courts.

Intellectual Property Rights

In 1992, the UAE passed three laws protecting intellectual property: a copyright law, a trademark law, and a patent law. Implementation of the copyright law began in September 1994. As a result, pirate versions of western audio and video tapes are no longer present in the market. Unfortunately, legitimate versions of western video tapes are also largely absent from the market, as producers have hesitated to fill the vacuum left by the pirates.

In April 1995, the United States Trade Representative announced that he would maintain the UAE on the Special 301 Watch List for a fifth year. He cited incomplete enforcement of software copyrights and inadequate patent protection, particularly in the pharmaceutical area. The UAE was a major center for the production, sale, and export of pirated and counterfeit products. However, during the last two years the UAE government has passed new IPR laws and begun enforcement actions aimed at reducing or eliminating such practices, and bringing its IPR regime up to international standards.

The UAE has joined the General Agreement on Tariffs and Trade (GATT), and wants to become a member of the World Trade Organization. Membership in the GATT requires adherence to certain minimum standards of IPR protection, which should help sustain and expand the initiatives already taken. U.S. firms wanting to register their trademarks, copyrights, or patents in the UAE should contact local legal counsel for assistance.

Arab League Boycott

The Arab Gulf Cooperation Council (AGCC), which includes UAE, Saudi Arabia, Kuwait, Oman, Qatar, and Bahrain had announced in late 1994 that its members would no longer enforce the secondary and tertiary aspects of Arab league boycott. The Primary Boycott against Israeli companies and products is still in place. Any advice on boycott and anti-boycott related issues is available from the U.S. Embassy or from the U.S. Department of Commerce Office of Anti-boycott Compliance in Washington, D.C. at tel: 202-282-2381.

Tariffs and Non-tariff Barriers Including Import Taxes

Tariffs in the UAE were raised in mid 1995 from one percent to four percent in line with the unified Arab Gulf Cooperation council (AGCC) policy. Each emirate operates its own customs authority, but tariffs and general policies are coordinated through a national committee. Only firms with the appropriate trade license can engage in importation. Documentation requirements follow international standards, and delays in custom clearance have been infrequent. The competition for business between the port facilities of the different emirates has kept user rates to a minimum and put a premium on services. There are no duties on exports. For religious and security reasons, there are various restrictions on the import of alcohol, tobacco, firearms, and pork products. The UAE maintains non-tariff barriers to trade and investment in the form of restrictive agency/sponsorship/distributorship requirements.

In order to do business in the UAE outside of one of the free zones, a foreign business must have a UAE national sponsor, agent, or distributor. Once chosen, sponsors, agents, or distributors have exclusive rights; they cannot be replaced without their agreement. Government tendering is not conducted according to generally accepted international standards. Re-tendering is the norm, often as many as three or four times. To bid on federal projects, a supplier or contractor must either be a UAE national or a company in which at least 51 percent of the share capital is owned by UAE nationals. Federal tenders are required to be accompanied by a bid bond in the form of an unconditional bank guarantee for five percent of the value of the bid.

The UAE has no requirement that a portion of any government tender be subcontracted to local firms. There is a ten percent price preference on procurement and tenders. The UAE requires a company to be registered in order to be invited to receive government tender documents. To be registered, a company must have 51 percent UAE ownership. However, these rules do not apply on major project awards or defense contracts, where there is no local company able to provide the goods or services required.

Maximum duty in the UAE is 4 percent for most goods, with duties from 25 to 50 percent levied on alcohol and tobacco products. Many essential items, including foodstuffs and pharmaceuticals, are allowed duty free status.

Export Controls

All goods exported or reexported from the UAE must have proper documentation issued by the Ministry of Economy and Commerce and the various Chambers of Commerce in the respective individual emirates. U.S. firms seeking to export or reexport goods from the UAE should consult the appropriate legal authorities for specific guidelines.

Import/Export Documentation

Standard trade documentation, including certificates of origin, bills of lading, and various Government/Embassy attestations must be presented for all imports and exports. A [Guide to Doing Business](#) in the UAE which details documentation requirements, is available from all U.S. Department of Commerce District Offices, the Department in Washington, and the U.S. Commercial Offices in Abu Dhabi and Dubai.

Temporary Entry

Goods may be imported duty free and stored in any of several free zones in the UAE. Goods which enter the UAE from these free zones must pay the (minimal) duty noted previously. There is no provision for duty free entry of parts or components which are intended for the manufacturing of products which are subsequently exported. In practice, as duties are already so low, this has not been a major impediment to manufacturing industries in the UAE.

Standards

The UAE currently has no central standards authority. However, both the national and emirate governments, as well as professional associations, are reviewing standards requirements. This is particularly true for the construction industry. Currently, government agencies and private firms stipulate the standards required on a project-by-project basis. This allows for a wide range of acceptable product performance, makes health and safety monitoring difficult, and permits the use of low quality products and manipulation of tender specifications. A UAE company first qualified for ISO 9000 certification in 1993. Since then, more companies have received the

designation, and the European Union is funding a standards center in the UAE to implement ISO 9000 certification.

U.S. Government Points of Contacts

Listed below are helpful points of contact for U.S. firms that are interested in the UAE market.

U.S. Embassy

Fax: (202) 482-0878

US&FCS-Abu Dhabi
P.O.Box 4009
Abu Dhabi, UAE
Tel: (971-2) 345545
Fax: (971-2) 331374

Barbara Slawicki
Regional Director

Shakir Farsakh
Associate Regional Director
Tel: (202) 482-4836
Fax: (202) 482-5179

Charles R. Kestenbaum
Senior Commercial Officer

Business Associations

U.S. Embassy
USLO
P.O.Box 4009
Abu Dhabi, UAE
Tel: (971-2) 434192
Fax: (971-2) 434604

Abu Dhabi Chamber of
Commerce & Industry
P.O. Box 662
Abu Dhabi, UAE

Tel: 971-2-214000
Fax: 971-2-215867
Al Taher Mesbeh Kindi Al Merer
Director General

COL. Charles S. Patton
Chief Liaison Officer/Military Attache

Consulate General Dubai
US&FCS
P.O.Box 9343
Dubai, UAE
Tel: (971-4) 313584
Fax: (971-4) 313121

American Business Council (ABG)
C/O Afridi & Angell
P.O.Box 3961
Abu Dhabi, UAE
Tel: 971-2-329134
Fax: 971-2-326905

Terry Sorgi
Commercial Officer

Charles S. Laubach

Washington, D.C.

U.S. Department of Commerce
14th & Constitution Ave., N.W.
Washington, D.C. 20230
U.A.E. Desk Officer:

Dubai Business Council
P.O. Box 9281, Dubai, UAE
Tel: 971-4-314735
Fax: 971-4-314227
David Stockwell, President

David Guglielmi
Tel: (202) 482-5545

Dubai Chamber of Commerce & Industry
P.O. Box 1457, Dubai, UAE
Tel: 971-4-221181

Fax: 971-4-211646
Abdul Rahman G. Al Mutaiwee

Director General

Potential Offset Joint Venture Partners

Listed below are companies and/or organization that may be helpful in settling offset obligations.

Dr. Amin Badr-El-Din
UAE Offsets Group (Govt.)
P.O.Box 908
Abu Dhabi, UAE
Tel: 971-2-314666/339090
Fax: 971-2-319331

Ali & Sons Co.
P.O. Box 915
Abu Dhabi, UAE
Tel: 971-2-723900
Fax: 971-2-723901

Jamal Ahmed Wadi,
Assistant Chairman

GIBCA GROUP
P.O.Box 2570
Abu Dhabi, UAE
Tel: 971-2-330866/344092
Fax: 971-2-323445

Shaikh Khalid Al-Qassimi
Vice Chairman & Managing Director

Al Hamed Enterprises
P.O.Box 592
Abu Dhabi, UAE
Tel: 971-2-326777/393555
Fax: 971-2-322123

Shaikh Shaya Bin Ahmed Al Hamed
President & CEO

Al-Fahim Group
P.O.Box 279
Abu Dhabi, UAE
Tel: 971-2-211500

Fax: 971-2-217703

Mr. Muhammad Abduljalil Al-Fahim
Managing Director

Specialized Technologies Est.

P.O. Box 2231
Abu Dhabi, UAE
Tel: 971-2-335000
Fax: 971-2-316767

Brigadier (Retd) Khadim M. Al-Hameli
Managing Director

Khalfan Group of Companies
P.O.Box 198
Abu Dhabi, UAE
Tel: 971-2-336666/323888
Fax: 971-2-324415

Mr. Khalfan Rashid Al-Suweidi
Chairman

Al-Mazroui Trading & General Services
P.O.Box 97
Abu Dhabi, UAE
Tel: 971-2-391333/391666
Fax: 971-2-328825

Mr. Bashir Choudhary
Consultant

Mr. Rashid Mohammed Al-Mazroui
Owner & Chairman

United Eastern Company
P.O.Box 7615
Abu Dhabi, UAE
Tel: 971-2-342531
Fax: 971-2-320048

Mr. Ali Al-Shorafa
Chairman

Mr. Kahsai Hailde
Vice Chairman & Managing Director

Brig.(Retd) Rashid Mubarak Al-Reyami
Chairman

Excel Int'l Trading
P.O.BOX 45873
Abu Dhabi, UAE
Tel: 971-2-767722/769696
Fax: 971-2-767626

Khalidia International Trading Co.
P.O.Box 46446
Abu Dhabi, UAE
Tel: 971-2-336163
Mobile: 050-414334
Fax: 971-2-338098

Mr. Abdul Jalil Abdul Rahman Mohammed
Managing Director

Bin Hilal Enterprises
P.O.Box 7349
Abu Dhabi, UAE
Tel: 971-2-392008
Fax: 971-2-329128

Mr. Winston Pryce
Manager

Mr. Ibrahim Abdelghani
Managing Director

Col. Hilal Saeed Bin Hilal Al-Dhahiri
Chairman/Head of Immigration, Min. of Interior

Emirates Investment
P.O.Box 43522
Abu Dhabi, UAE
Tel: 971-2-318844/351111
Fax: 971-2-318388

Mr. Ahmed Saif Al-Nassiry
General Manager

Musa Industrial Company (MINCO)
P.O.Box 7190
Anu Dhabi, UAE
Tel: 971-2-664227/664143 PAGER: 9224418
Fax: 971-2-668581

Mr.Hashim R. Hashim
Projects Manager

Mr.Shafiq R. Al-Qassim
Group General Manager

Abu Dhabi Investment Company (ADIC)
P.O.Box 46309
Abu Dhabi, UAE
Tel: 971-2-328200
Fax: 971-2-212903

Humaid Dirwaish Al-Kitbi
General Manager

Shaikh Hamed Bin Ahmed Al-Hamed
Asst. General Manager-
Projects Department

Al-Badie Trading Est.
P.O.Box 229
Abu Dhabi, UAE
Tel: 971-2-322344
Fax: 971-2-345284

Mr. Majid Shunnag, Marketing Manager

Al-Rumaithy Group of Establishment
P.O.Box 46408
Abu Dhabi, UAE
Tel: 971-2-773445
Fax: 971-2-788442
Dr. Mohamed Khamis Al-Rumaithy
Owner

Sanam
P.O.Box 627
Abu Dhabi, UAE
Tel: 971-2-337733
Fax: 971-2-337399

Mr. Riaz Quadir
Commercial Manager

Al-Mawared Int'l
P.O.Box 45483
Abu Dhabi,UAE
Tel: 971-2-345102
Fax: 971-2-393045
Lt. Col. A. M. Suliman
General Manager

Core Management Consultants
P.O.Box 4357
Sharjah, UAE
Tel: 971-6-366349
Fax: 971-2-366351

Mr. Pervaiz Nasir

Managing Partner

Protech-Abu Dhabi
P.O.Box 47139
Abu Dhabi, UAE
Tel: 971-2-553900
Fax: 971-2-554710

Mr. John M. Clarke
Deputy General Manager